

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 EUR-12 AID-05 CIAE-00 EB-08 FRB-01

INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 PA-02 /082 W

-----004334 071403Z /53

R 070941Z MAR 78

FM AMEMBASSY LILONGWE

TO SECSTATE WASHDC 1684

INFO C/USDOC WASHDC

AMEMBASSY DAR ES SALAAM

AMEMBASSY LUSAKA

AMEMBASSY MAPUTO 571

AMEMBASSY NAIROBI

AMCONSUL CAPETOWN

AMEMBASSY BONN

UNCLAS LILONGWE 0340

CAPETOWN FOR EMBASSY

E.O. 11652: N/A

TAGS: BEXP, EPAP, MI, MZ

SUBJ: EUROPEAN CONSORTIUM TO PUT 304 MILLION DOLLARS IN  
MALAWI PULP MILL

REF: (A) 73 BLANTYRE 1661 (B) ROME TOAID A-19

1. SUMMARY. ON FEB 23, A CONSORTIUM OF SIX  
EUROPEN COMPANIES SIGNED A LETTER OF INTENT AGREEING  
TO PUT \$304 MILLION EQUITY CAPITAL INTO A PRIVATE  
MALAWI FIRM, VIPHYA PULP AND PAPER CORPORATION (VIPCOR).  
VIPCOR IS TO BUILD A PULPMILL AT CHINTECHE WITH THE  
CAPACITY TO PROCESS 180,000 METRIC TONS PER YEAR OF  
BLEACHED LONG FIBER PULP. TOTAL PROJECT COST ESTIMATED  
AT \$400 MILLION END SUMMARY.

2. AFTER A FOUR-YEAR SEARCH TO FIND CAPITAL NECESSARY  
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TO EXPLOIT FORESTRY POTENTIAL OF VIPHYA PLATEAU, A  
CONSORTIUM OF SIX EUROPEAN COMPANIES SIGNED FEB 23  
A LETTER OF INTENT TO PROVIDE A 304 MILLION DOLLAR  
EQUITY CAPITAL FOR THE PULPMILL PROJECT. CONSORTIUM  
CONSISTS OF THREE GERMAN FIRMS (AEG TELEFUNKEN, SUNDS  
GMBH AND DEUTSCHE BABCOCK), A BRITISH FIRM (COSTAIN  
INTERNATIONAL LIMITED) AND THE FINNISH FIRM WHICH

PERFORMED THE PREFEASIBILITY STUDY IN 1973 (JAAKKO POYRY CO). PROPOSED INVESTMENT WILL GIVE CONSORTIUM 49 PERCENT OWNERSHIP OF VIPCOR. EUROPEAN FIRMS WILL PROVIDE TECHNICAL EXPERTISE FOR CONSTRUCTION AND MANAGEMENT OF THE PULPMILL AND WILL ALSO MARKET THE FINISHED PRODUCT.

3. IN 1973 GOM CALLED IN U.S. AMBASSADOR LREF A) TO EXPRESS HOPE THAT USG OR U.S. FIRMS MIGHT ASSIST. ONLY CITIBANK HAS SHOWN INTEREST IN PROJECT, 75 59 OUR KNOWLEDGE NO U.S. BANKS OR FIRM IS INVOLVED.

4. VIPHYA PLATEAU, APPROXIMATELY 140 MILES NORTH OF LILONGWE, HAS 114,000-ACRE PINE FOREST TO SUPPORT PULPMILL TO BE BUILT AT CHINTECHE, 20 MILES EAST OF PLATEAU ON LAKE MALAWI. PULP WILL BE SHIPPED BY BARGE TO LAKE PORT OF CHIPOKA AND THEN RAILED TO MOZAMBIQUE PORT OF NACALA. IT IS UNDERSTOOD THAT THE PORT FACILITIES AT NACALA WILL HAVE TO BE EXPANDED TO HANDLE THE PULP EXPORT.

5. TOTAL PROJECT COST INCLUDING INFRASTRUCTURE IS ESTIMATED TO BE IN THE 400 MILLION DOLLAR RANGE, 75-80 PERCENT OF WHICH FOR IMPORTED PULPMILL MACHINERY. WORLD BANK HAS BEEN APPROACHED TO FINANCE PART OF THE REQUIRED INFRASTRUCTURE AND IS REPORTED TO BE CONSIDERING A 50 MILLION DOLLAR PARTICIPATION. (ROAD FROM THE PLATEAU TO CHINTECHE, LAKE BARGES, AND ADDITIONAL ROLLING STOCK FOR MALAWI RAILWAYS WILL BE NEEDED) WHEN COMPLETED IT IS ESTIMATED THAT 7,000 UNCLASSIFIED

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NEW JOBS WILL BE CREATED AND PULP EXPORT WILL PROVIDE ANOTHER SOURCE OF FOREIGN EXCHANGE. WORLD FOOD PROGRAM SUPPORTS PROJECT (\$2.50 MILLION OVER THREE YEARS-- SEE REFTEL B) IN ORDER THAT WORKERS CAN BE RETAINED IN AREA WHERE NO FOOD PRODUCTION TAKES PLACE.

6. COMMENT: PROPOSED PROJECT WILL BE BY FAR LARGEST DEVELOPMENTAL PROJECT TO BE ATTEMPTED IN MALAWI. PRESIDENT BANDA HAS BEEN VERY INTERESTED IN THE PROJECT BECAUSE IT WILL HELP MALAWI'S POOREST REGION. MANY LOCAL OBSERVERS THOUGHT THAT REQUIRED OUTSIDE CAPITAL WOULD NOT BE FOUND UNTIL CONFLICTS IN SOUTHERN AFRICA WERE RESOLVED, AND SOME DOUBT THAT MALAWI CAN ABSORB SUCH A COSTLY PROJECT IN TERMS OF IMPACT ON LOCAL ECONOMY AND POSSIBLE UNDERTAIN PULP EXPORT MARKETS IN FUTURE. STEVENSON

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## Message Attributes

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